**RESULTS OF THE MOSCOW
LONGITUDINAL SURVEY:
HOUSING AND ECONOMIC
CHARACTERISTICS**

**THE MOSCOW
LONGITUDINAL
HOUSEHOLD SURVEY
1992-1995**

Prepared for

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ABSTRACT

The Moscow Longitudinal Household Survey monitors households' economic and housing characteristics during the transition period and additionally can serve to estimate and predict the implications of housing-related reforms. Analysis of the data reveals that although mean household income has grown over the period from 1992 to 1995, disparity in incomes between the poorest and richest income groups within the sample has increased. Increases in the ratios of rent-to-income from 1994 to 1995 reveal the impact of the program of rent increases started in January 1994, to increase cost-recovery in the housing sector. The sources of household income have been shifting; generally, income from state employment has decreased as state industries have become privatized and as households rely more on income from the private sector.

The growing real estate market combined with privatization has removed constraints on residential mobility, and thus the data indicate that mobility has increased steadily from 1992. Privatization of housing has provided households an instant asset thereby giving households the choice of renting or selling their unit on the market for additional income or for purchase of another unit. The data show that 28.2 percent of municipal units and 20.4 percent of departmental units have been privatized from 1992 to 1995. Detailed analysis of types of households who have privatized reveals that pensioner households and households having a member with higher education have privatized more readily than other households.

All field work was conducted by Alla Guzanova from the Institute of Economic Forecasting.

Clare Romanik, a Research Associate with the Urban Institute in Washington, D.C., performed the analysis on privatization in the "Housing Adjustments and Privatization" section.

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THE MOSCOW LONGITUDINAL HOUSEHOLD SURVEY 1992-1995

INTRODUCTION

The objective of the Moscow Longitudinal Household Survey (MLHS) was to obtain information annually over a period of four years to track the changes in the housing sector in the city of Moscow as they affect individual households. The first wave of the survey in December 1992 was designed to obtain a sample of 2000 units which were state rentals in January 1992. The original plan was to concentrate the monitoring on developments in the state sector, which in 1990 accounted for 90 percent of housing units in Moscow. In the second wave of the survey conducted in December 1993, a sample addition comprised of 261 cooperative units and 9 individual privately-owned houses was included in order to obtain a sample representative of the housing stock in Moscow. Newly-constructed units from 1993 to 1995 were also added in the third and fourth survey waves to maintain this representative sample. Approximately one hundred newly-constructed units were added to the third wave to account for new construction in 1993 and 1994, and 60 units were added in the fourth wave to account for new construction in 1994 and 1995. With additions and attrition rates each year the total sample size at the end of wave 4 (1995) was 2,236. The survey does not include households residing in the Moscow region which surrounds the city of Moscow.

In addition to capturing data on housing, the survey instrument obtained economic and demographic information such as income, education, employment and the age of all household members. As a result, this survey could monitor the effects of both housing and other economic reforms on particular households.

RENT PAYMENTS, HOUSEHOLD INCOME, AND ASSETS

Nominal income in rubles Increased by an average 975.4 percent from 1992 to 1995. However, inflation has eroded much of the real buying power of income. Even so, real income increased by a substantial 29.9 percent during the same period (Table 1A). The largest increase occurred within the highest income group whose real income increased by 38 percent. In contrast, real income in the lowest income group increased by only 8.7, indicating a growing income disparity between the richest and poorest segments of the population. Real income for all income groups declined an average 10 percent from 1994 to 1995. Income distributions show that the wealthiest 20 percent of the population have about half of the total wealth (Table 1B). Data from the Russian State Statistical Bureau, Goskomstat, reveals a much greater disparity in income distribution in 1995, most likely attributed to the different method of estimating household income.

Rent Payments

Rent to income ratios have increased steadily from 1992 to 1995 (Table 1C) as a result of the program of rent increases implemented in January 1994. Instituting the program of rent increases was necessary to alleviate the drain on the city's financial resources which in 1993 nearly fully subsidized its housing stock. Tenants' rent payments include charges for utilities and electricity (not including telephone services). On average, the ratio of rent to income increased over 6 times from 1992 to 1995. The housing allowance program implemented concurrently with the program of rent increases has relieved some of the burden of the rising costs of rent and utilities for poor families. The last panel of Table 1C reveals that although housing allowance recipients on average have a similar rent to income ratio as the sample of all households, recipients in the lowest two income groups pay a substantially smaller amount of rent as a proportion of household income when compared to all other households.

Table 1A
Average Household Income[a] and Rent Payments in Real Dollars (December 1995 Dollars)

Income Quintile	1992		1993		1994		1995	
	Income	Rent	Income	Rent	Income	Rent	Income	Rent
Total	265.90	2.31	312.64	2.51	384.46	6.37	345.43	21.33
I	75.64	1.65	86.10	1.79	97.70	4.53	82.24	13.82
II	153.36	2.09	173.18	2.40	197.15	6.06	174.94	18.76
III	222.27	2.41	261.68	2.51	297.62	6.61	278.50	22.74
IV	312.63	2.66	374.66	2.80	439.08	7.02	405.62	24.87
V	570.12	2.74	665.43	3.06	885.79	7.61	786.51	26.44

Note

a   Incomes include regular help from relatives. Incomes are imputed if reported as zero or when missing. Payment for rent in 1995 includes housing subsidies. Ruble values have been inflated based on the CPI to 1995 rubles, then converted to dollars based on December 1995 exchange rate.

Table 1B
Comparison of Household Income Distributions Between MLHS and Goskomstat
(Percentage of Total Income by Income Quintiles)

| | 1992 | | 1993 | | 1994 | | 1995 | |
| | Goskomstat | MLHS | Goskomstat | MLHS | Goskomstat | MLHS | Goskomstat | MLHS |
Quintile	Mar-92	Nov-92	Nov-93	Nov-93	1994	Nov-94	Dec-95	Dec-95
I	5.4	5.6	5.9	5.5	5.3	5.1	4.1	4.7
II	11.8	11.5	11.4	10.7	10.2	10.4	6.4	10.4
III	17.2	16.4	17.2	16.3	15.2	15.2	8.8	15.8
IV	23.4	23.4	24.4	23.8	23.0	22.8	12.9	23.4
V	42.2	43.0	41.1	43.8	46.3	46.4	67.8	45.7

Note
March 1992 and November 1993 were taken from Goskomstat's Moscow Family Budget Survey. For 1994 Goskomstat data, average annual income for Russia was used in calculating income distributions. For December 1995, Goskomstat data is for Moscow.

Table 1C
Average Rent-to-Income Ratio: MLHS 1992 to 1995
(Rent as a percent of income)

| Income Quintile | 1992 | 1993 | 1994 | 1995 | |
				All Households	Only HA[a] Recipients
Total	1.3	1.2	2.6	9.5	9.1
I	2.5	2.3	5.2	18.6	10.6
II	1.4	1.4	3.1	10.9	6.2
III	1.1	1.0	2.2	8.2	6.1
IV	0.9	0.8	1.6	6.2	3.6
V	0.5	0.5	1.0	3.8	2.8

Note
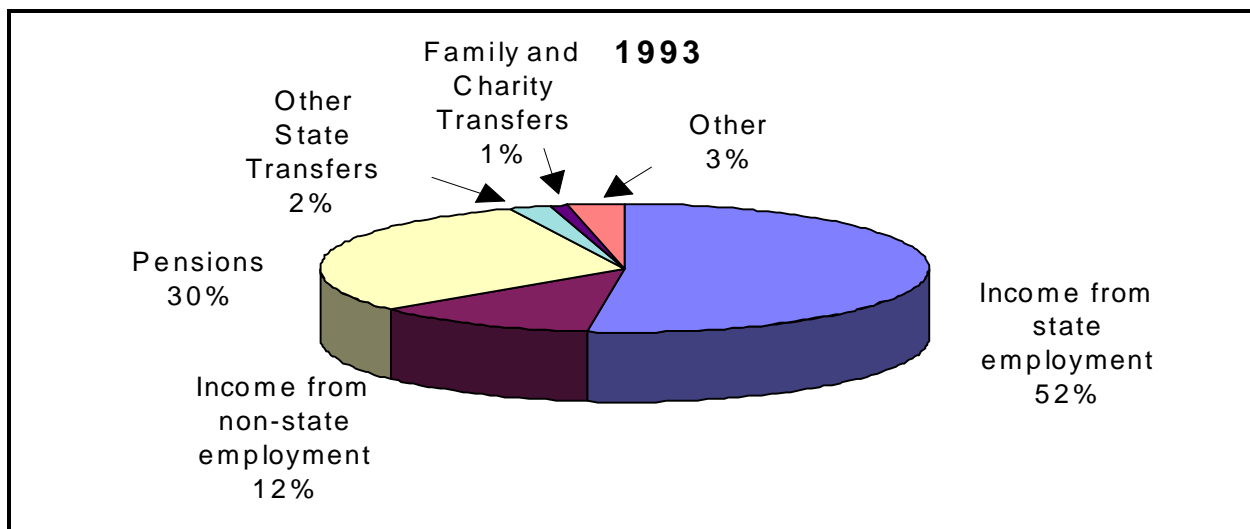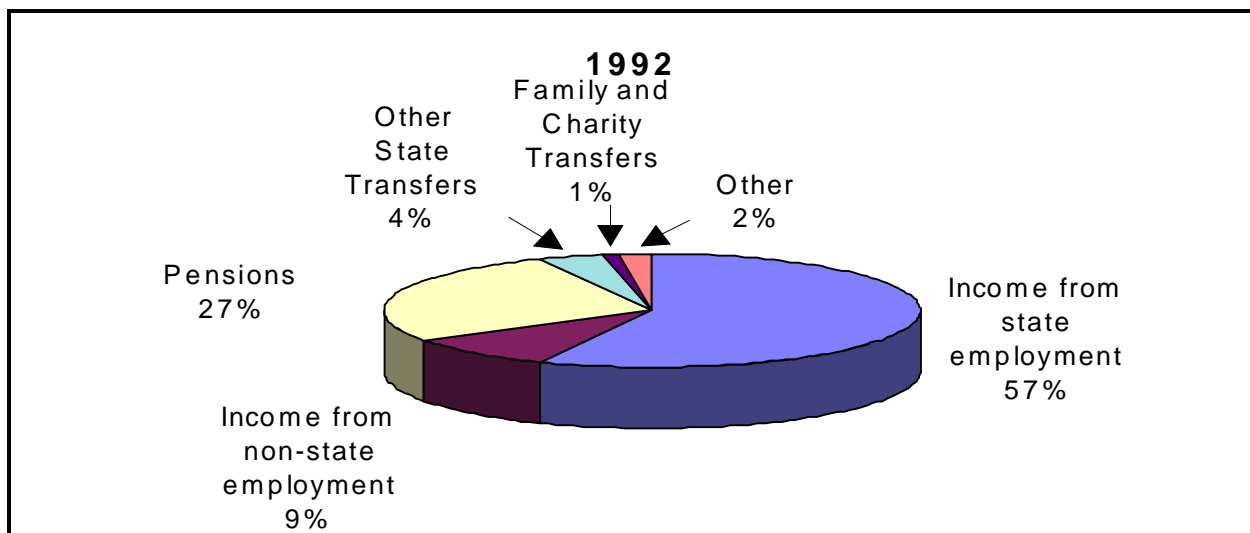a   HA = housing allowance
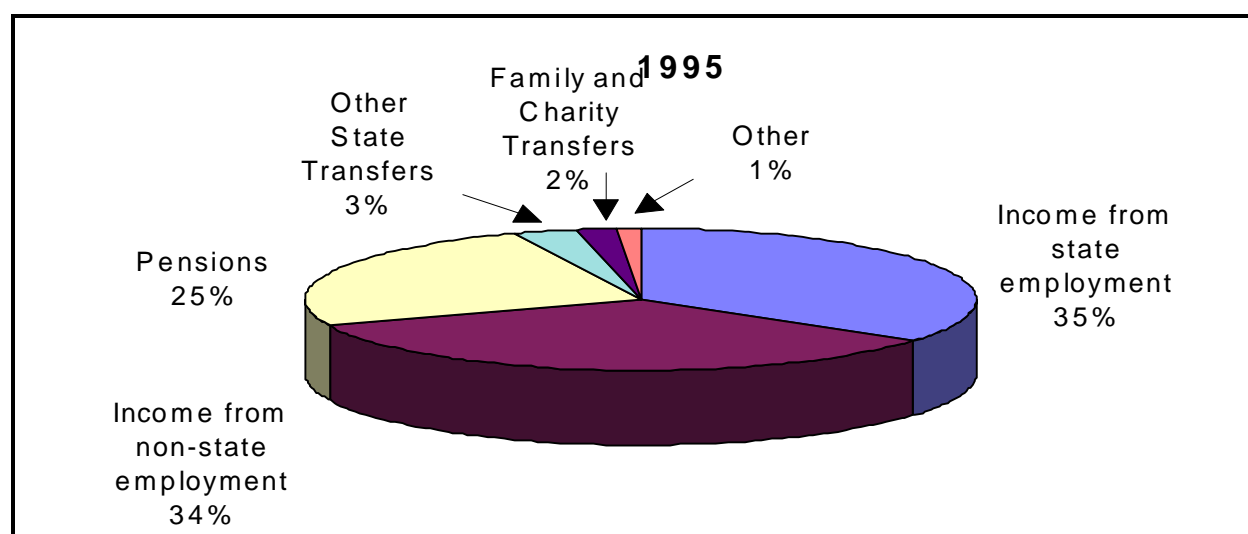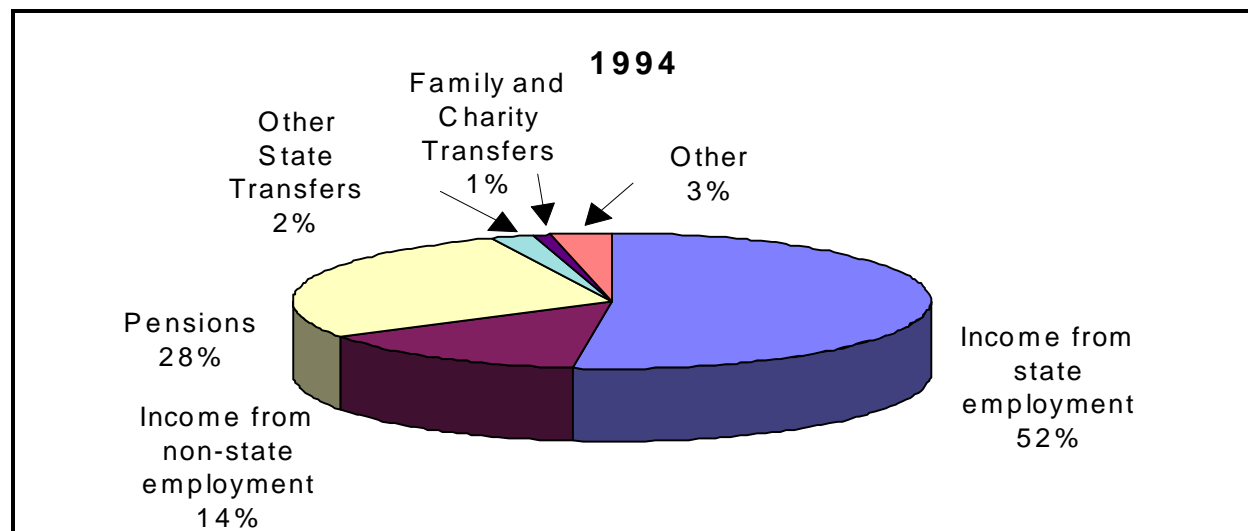
Household Income

Figure 1A shows the composition of income sources from 1992 to 1995 as an average of households' income (not as the composition of total income for the sample). Income from state employment has decreased by 22 percentage points from 1992 to 1995. The survey instrument was altered in 1995 to pinpoint more effectively the sources of

household income, particularly from the private sector. This is reflected by income source from non-state employment increasing from 14 to 34 percent between 1994 and 1995. There could be two reasons for this: (1) the survey instrument may not have accurately captured income from non-state employment in the survey years prior to 1995, and (2) privatization of state industries in Russia has resulted in a decrease in income from state employment and a greater share of income from the private sector. Government and family transfers has remained steady through the entire period.

Figure 1A. Sources of Income

1992

Other State Transfers 4%
Family and Charity Transfers 1%
Other 2%
Income from state employment 57%
Pensions 27%
Income from non-state employment 9%

1993

Family and Charity Transfers 1%
Other State Transfers 2%
Other 3%
Pensions 30%
Income from state employment 52%
Income from non-state employment 12%

1994

Family and
Charity
Transfers
1%

Other
State
Transfers
2%

Other
3%

Pensions
28%

Income from
non-state
employment
14%

Income from
state
employment
52%

1995

Family and
Charity
Transfers
2%

Other
State
Transfers
3%

Other
1%

Pensions
25%

Income from
non-state
employment
34%

Income from
state
employment
35%

Household Assets

The prevalence of car ownership has increased by over 5 percent annually from 1992 (Figure 1B). As of December 1995, over 35 percent of Moscow households own cars as compared to only 18 percent in 1992. Dacha ownership has similarly increased, though more haphazardly. The slight decline in dacha ownership of 1 percent from 1994 to 1995 is not statistically significant.[1] Ambiguity about dacha ownership has most likely caused some slight inconsistencies in the responses to this question, that is, a household in which no immediate member of the household himself/herself owns a dacha may have responded

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[1] Based on a chi-square test of distribution at 1 percent.

incorrectly that the household does own a dacha because an extended family member (not residing in the household) owns a dacha. Despite this, the trend in dacha ownership indicates an increase from one-quarter of Moscow households in 1992 to one-third in 1995.

Figure IB.
PREVALENCE OF CAR AND DACHA OWNERSHIP
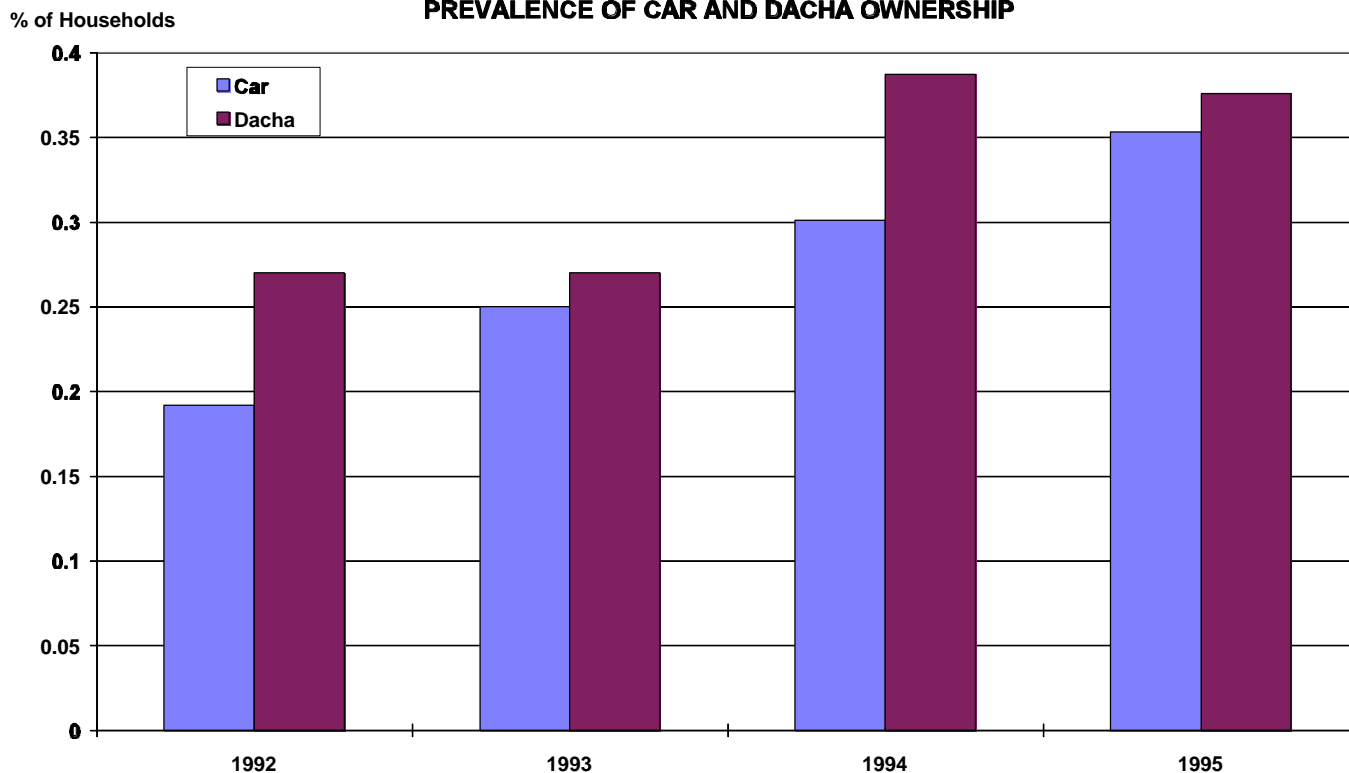
RESIDENTIAL MOBILITY

Mobility rates have shown a steady increase from 1992. Mobility is calculated based on the rate of unit-turnover within each year. The MLHS is a longitudinal survey of units rather than households; and therefore the rate of residential movement is captured by calculating the proportion of units in which a new household resides as well as the new construction units added yearly to the original sample. Table 2A gives mobility rates and mobility rates by income group for 1992 to 1995. From 1993, mobility rates within the highest income group have been much higher than for other income groups.

Table 2A
Mobility Rates and Mobility Rates by Income Quintiles in Moscow (percent of unit-turnover)

Parameter	1992	1993	1994	1995
Mobility	2.5	3.9	4.5	5.5
Mobility by Income Quintile				
I	2.3	2.6	2.5	4.7
II	0.9	2.3	1.7	4.0
III	2.8	2.3	4.5	4.6
IV	3.3	2.3	4.4	5.6
V	3.0	4.7	9.4	8.2

An interesting characteristic of the composition of mobility in Moscow is the large proportion of movers who leave a portion of the household behind in the original unit (termed "uncouplers"). The severe housing shortages and long stays on the waiting lists during the Soviet era necessitated that multigenerational households reside in the same unit. Now, with a active housing market and increasing supply of housing units, some of these multinuclei households are able to split. Table 2B shows that about half of all movers since 1992 have been uncouplers. Although, there is no evidence of a decline in the proportion of uncouplers based on the last four waves of the survey, the share of uncouplers could be expected to decline in the future as supply of housing catches up to demand.

Table 2B
Uncoupling[a] Rates and Movers New to Moscow (as a percent of movers)

Characteristics of Movers	1992	1993	1994	1995
Uncoupling	55.6	44.3	52.3	50.6
Movers New to Moscow	7.5	9.9	18.8	12.4

Note
a   Uncoupling occurs when part of the original household moves to a new unit while the balance of the
    household remains in the original unit.

Table 2C
Search Methods for Movers (Method Used to Obtain Housing)

Search Methods	Percent Distribution			
	1992	1993	1994	1995
Market Methods				
Advertisements	24.5	23.6	13.0	19.4
Broker	3.8	9.7	17.0	15.6
Acquaintances	13.2	13.9	22.0	22.8
Other Market	1.9	11.1	10.0	7.4
All Movers Employing Market Methods	*43.4*	*58.3*	*62.0*	*65.2*
Non-market Methods				
Waiting List	39.6	26.4	21.0	17.7
Exchange with Relatives	--	9.7	5.1	7.5
Inheritance	--	1.4	7.1	2.5
Other	17.0	4.2	4.8	7.1
All Movers Employing Non-Market Methods	*56.6*	*41.7*	*38.0*	*34.0*

Table 2D
Percent of Households on Waiting List for Housing (by Income Quintile)

	1992	1993	1994	1995
Total	9.3	7.4	6.0	6.6
I	4.7	4.7	3.8	3.7
II	7.7	4.7	6.6	5.8
III	8.4	8.9	5.7	6.5
IV	13.5	9.2	8.7	8.9
V	12.0	9.7	5.1	8.0

Use of the waiting list to obtain housing has been declining steadily since 1992, from 40 percent of households to only 18 percent of households in 1995. Table 2C gives the distribution of search methods that mover households used to successfully obtain their current unit. Use of market methods has increased from 43 percent to 65 percent.

Table 2D shows the percent of households on the waiting list for housing from 1992 to 1995. The percent of households on the waiting list has decreased each year. The decrease is largest for the highest income quintile as they tap into increased non-governmental provision of housing.

Over-crowding (defined here as total space per person which falls short of the government's social norms of housing) decreased within every income group. These

income groups are calculated based on per capita income rather than total household income to control for high income attributed to large household size. The decline in over-crowding most likely has been caused by the slight decline in the ratio of households per dwelling unit during the period from 1991 to 1995. According to official statistics, Moscow housing construction has remained steady from 1991 to 1995, with over 3 million square meters being constructed annually. At the same time, the number of households in Moscow has not grown during this period; in fact, despite the increase in new movers to Moscow, the population has declined due to declining birthrate and an aging population. As seem in figure 2A, the largest decreases of over-crowding occurred within the lowest and highest income groups (over a 30 percent decline in both). In 1992, almost half of all households within the lowest income group were over-crowded; in 1995, this decreased to one-third. Figure 2A also shows that households in the highest income group have a much lower incidence of over-crowding in 1995 (at least 10 percent less) than any other income group.

Figure 2A.
PERCENT OF EACH QUINTILE THAT IS OVERCROWDED
(TOTAL LENGTH OF THE BARS IS THE SUM OF ALL YEARS)

Note: Income quintiles are based on per capita income.
Quintile 1=lowest income group; Quintile 5=highest income group.
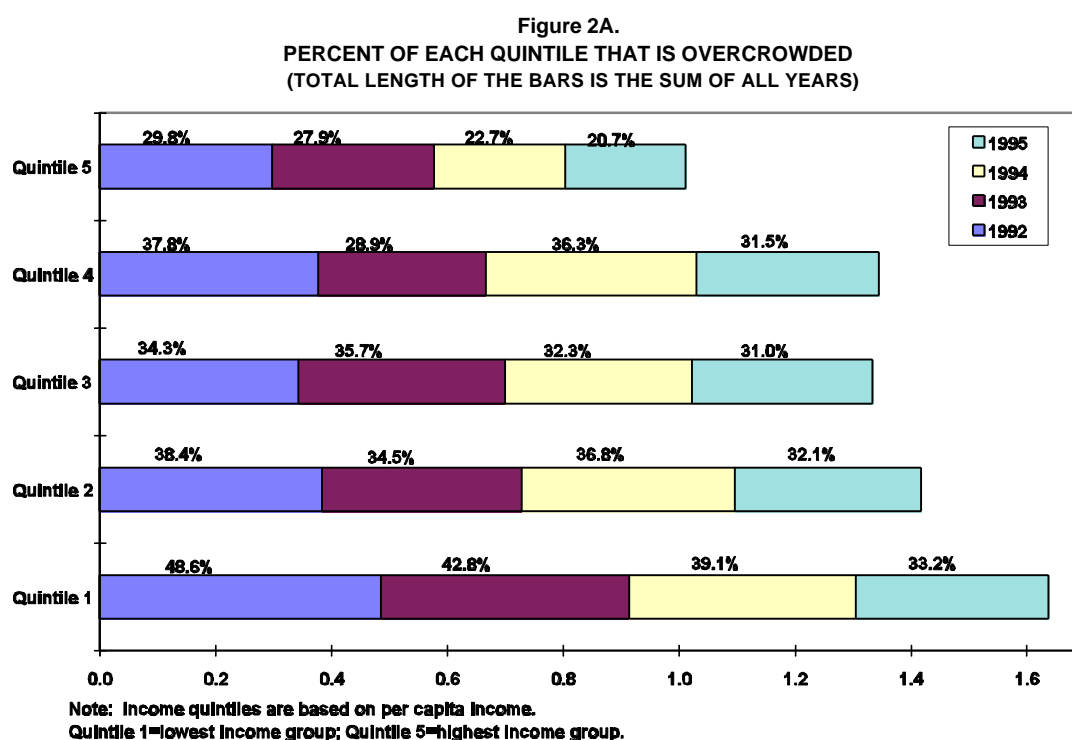
HOUSING ADJUSTMENTS AND PRIVATIZATION

Table 3A shows changes over the 1992 to 1995 period in ownership of units that were state rentals in 1991 (numbers in italics are cell reference numbers). Data for some units were unavailable, and therefore these units were not included in this transition table, thus lowering the sample size to 1821. Out of the original 1279 municipal units from 1992,

one-third has changed ownership; and almost two-thirds of the original 250 departmental units have changed ownership. Over 40 percent of departmental housing from the original 1992 has been divested to the city (cell 7); and only 35 percent of this housing remains in the ownership of departments or enterprises (cell 8). Of municipal units and subtenants of municipal units from the original sample, 28.2 percent, (363 units out of the original 1821) have been privatized (cell 3 and cell 21); 20.4 percent of departmental units have been privatized (cell 9).   Since 1992, the data show that 0.8 percent, 15 out of the original 1821 units, have been unprivatized (cell 13 and cell 25).

Table 3A
Transition Table on Ownership of Flat from 1992 to 1995

Count Row Pct Col Pct Tot Pct	1995 Municipal	Departmental	Privatized	Housing Cooperative	Purchased by family	Private rental	Row Total Percentages
1992	1	2	3	4	5	6	
Municipal	853 66.7 87.1 46.8	23 1.8 20.5 1.3	360 28.1 53.4 19.7	8 0.6 53.3 0.5	12 0.9 80.0 0.7	23 1.8 79.3 1.3	1279 70.2
	7	8	9	10	11	12	
Department	108 43.2 11.0 5.9	88 35.2 78.6 4.8	51 20.4 7.6 2.8	2 0.8 13.3 0.1		1 0.4 3.4 0.1	250 13.3
	13	14	15	16	17	18	
Privatized	9 3.3 0.9 0.5		251 92.6 37.4 13.8	4 1.5 26.7 0.2	3 1.1 20.0 0.2	4 1.5 13.8 0.2	271 14.9
	19	20	21	22	23	24	
Subtenant of Municipal	3 37.5 0.3 0.2	1 12.5 0.9 0.1	3 37.5 0.4 0.2	1 12.5 6.7 0.1			8 0.4
	25	26	27	28	29	30	
Private Rental @ market rent	6 40.0 0.6 0.3		8 53.3 1.2 0.4			1 6.7 3.4 0.1	15 0.7

| Column Total | 979 | 112 | 672 | 15 | 15 | 29 | 1821 |
| Percentages | 53.7 | 6.1 | 36.9 | 0.8 | 0.8 | 1.6 | 100.0 |

Table 3B gives the characteristics of all households that have privatized.[2] The table reveals that the majority of these households are pensioner households (from over 40 percent in 1992 to one-third in 1995). The motive for privatizing for pensioner households differs from other household types because pensioners generally privatize in order to bequeath their unit to other family members. Non-pensioner households likely privatize for the opportunity to either resell or rent at a market price. In a pensioner household, as defined here, all members have reached the age of 55; a combined household of pensioners and younger relatives is not considered a pensioner household. In 1995, nearly three-quarters of all pensioner households in the sample had privatized their units, a rate close to twice that of the general population.

Table 3C gives the characteristics of non-pensioner households that have privatized. Excluding pensioner households, higher education households comprise almost three-quarters of households that have privatized. A higher education household is defined by having at least one member who has completed university or graduate school. By contrast, a household is defined as a worker household if at least one member holds an occupation as a worker. From 1992 to 1995, higher education households have become a smaller proportion of households who have privatized. However, it is important to note that the remaining cohort of higher education households eligible to privatize their flats has been declining throughout this period.

Table 3D shows the income distribution of non-pensioner households who have privatized. This distribution reveals that the majority of non-pensioner households who privatize fall in the higher income groups. Most likely, there is a strong correlation between higher education and high income, thereby suggesting that high income itself does not make a household more likely to privatize.

Table 3B
Characteristics of All Households That Have Privatized

| | Year of Privatization | | | |
	1992 (N=276)	1993 (N=227)	1994 (N=50)	1995 (N=37)
Pensioner households	42.4	35.7	38.0	32.4
Higher education	60.9	53.3	40.0	40.5
Workers	13.8	19.4	28.0	27.0

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[2] The categories given in tables 3B and 3C are neither mutually exclusive nor comprehensive. That is, a household could be either both a higher education household and a worker household or neither.

Table 3C
Characteristics of Non-Pensioner Households That Have Privatized

	Year of Privatization			
	1992 (N=159)	1993 (N=141)	1994 (N=31)	1995 (N=25)
Higher education	73.6	64.5	51.6	44.0
Workers	22.6	29.1	36.0	50.9

Table 3D
Distribution of Non-Pensioner Households That Have Privatized (By Income Group)

	Year of Privatization			
	1992 (N=159)	1993 (N=141)	1994 (N=31)	1995 (N=25)
Lowest income group	10.1	13.0	11.8	14.7
Second quintile	19.4	20.6	20.6	8.8
Third quintile	21.4	20.5	26.5	8.8
Fourth quintile	25.2	21.9	17.6	32.4
Highest income group	23.9	24.0	23.5	35.3
Total	100.0	100.0	100.0	100.0

CONCLUSION

Generally, the results of the Moscow Longitudinal Household Survey are indicative of a developing market economy: a growing income disparity between the richest and poorest households, an increasing housing burden as a percent of income, increasing residential mobility, the development of a real estate market, and continued privatization of housing. In addition, the data also serve to estimate the impact of future reforms. Simulations have been performed on this data which have been useful for analyzing effects of various policies on particular households as well as the estimated costs incurred to the municipality. For example, the Moscow City Government has utilized this data in order to determine the effects of various parameters associated with the city's housing allowance program. Thus, given the lack of representatively sampled household data of this kind in Moscow, the MLHS can be an important tool to policy decision-making.